INFORMATION AND COMMUNICATION TECHNOLOGY USAGE AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM Sized ENTERPRISES IN WEST POKOT COUNTY, KENYA

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NOVEMBER, 2018
DECLARATION

Declaration by Student

I declare that this project is my unique work and has not been bestowed in any other university for thought. This research proposal has been complemented by documented sources punctually acknowledged. Where text, information (including spoken words), illustrations, photographs or tables are borrowed from different sources, as well as the web, these are specifically licensed and references cited in accordance in line with anti-plagiarism rules.

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DEDICATION

I dedicate my work to my brothers for the financial support they gave me in conducting this research, I also thank my colleagues for their continued support in coming up with this research. Special thanks to Eco-Pillar Sacco society limited for giving me expected field experience on the study topic.
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ABSTRACT

Small to medium-sized enterprises (SMEs) is regarded as the main employment source, technological advancements, and competitive advantages for both developed and developing countries. As a result of competitive pressure and the need for growth in line with increasing its profits margins, these businesses are increasingly employing Information Technology (IT) to take advantage of its benefits. The purpose of this study was to assess the effects of using information and communication technology on financial performance of small and medium sized enterprises, a case of registered SMEs in West Pokot County. The study utilized theories such as diffusion of innovation and technology acceptance model to illustrate ICT adoption among SMEs, It also provided empirical evidences on the effects brought by ICT usage among SMEs. This study adopted a descriptive research design. The target population of the study was the registered SMEs in West Pokot County - Kenya. A sample of 150 SMEs were studied obtained using 30% of the target population, we used stratified random sampling technique to get the sample. The study relied on primary data sources and secondary data. Primary data was collected using structured questionnaires. To analyze the quantitative data, frequency distribution and cross tabulations was used. Statistical Package for Social Sciences (SPSS) was used as the data analysis tool. We used frequency tables, percentages, pie charts and bar graphs in Data presentation. The study established that adoption of IT improved financial performance of SMEs through quality of service, volume of transactions, connections to suppliers, reduced cost of operation, reduced transaction cost, accuracy and efficiency. The study deduced that to a great extent the adoption of IT in business was influenced by competition shown by a mean score of 4.70. The study concluded that adoption of ICT services which the SMEs have adopted in a large extent has improved its performance. Some of the ways in which ICT has improved efficiency in the SMEs includes: increased productivity and efficiency; faster processing of transactions hence greater customer satisfaction; immediate dissemination of information throughout the SMEs. Based on the findings and conclusions, the study recommends that the government of Kenya should consider mobilizing resources geared at creating awareness on and encouraging use of available information technologies at the disposal of the business people to the maximum possible extent in order to enhance business performance.
OPERATION DEFINITION OF TERMS

INFORMATION TECHNOLOGY: It is the utilization of frameworks (particularly PCs and media communications) for putting away, recovering, and sending data.

ADOPTION
The action or fact of adopting or being adopted.

ICT
It’s an umbrella term that incorporates any specialized gadget or application, enveloping: radio, TV, mobile phones, PC and system, Hardware and programming, satellite frameworks etc and additionally different administrations and applications.

ENTERPRISE
A project or undertaking, typically one that is difficult or requires effort. It can also be defined as Business or Company.

SME
(Small to-medium enterprise) is an advantageous term for portioning organizations and different associations that are somewhere close to the small office-home office (SOHO) estimates and the bigger endeavor. The EU has characterized it as a lawfully free organization with less 500 workers.

PERFORMANCE: -
The accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract.
ABBREVIATIONS AND ACRONYMS

EU: - European Union

KPI: - Key Performance Indicator

IT: - Information Technology

IS: - Information System

SME: - Small-to-medium sized enterprise

TQM: - Total Quality Management
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CHAPTER ONE: INTRODUCTION

1.0 Introduction
Information technology (IT) provides an opportunity for businesses to improve their efficiency and effectiveness, and even to gain competitive advantage. For a small business, embarking on IT adoption for the first time is non-trivial as there is a lot of uncertainty and risk involved. The introduction of IT is likely to cause changes in work procedures and increase computer anxiety among the employees. The technological innovation literature has identified many variables that are possible determinants of organizational adoption of an innovation. This chapter presents the background of the study, statement of problem, research objectives, significance of the study, scope of the study and limitation of the study.

1.1 Background of the study
SMEs are frequently observed as indispensable for the development and advancement of dynamic economies as they help to expand economies and in the meantime create employment (Mutula and Brackel, 2006). SMEs invigorate private proprietorship and entrepreneurial capacities. They are similarly versatile and can modify quickly to changing business segment demand and supply conditions, help expand money related activity that fundamentally adds to imports and fares. Additionally SMEs assumes imperative part in streamlining of expansive State - claimed endeavors by empowering them to forsake as well as auction non-center yield exercises and by retaining repetitive representatives. SMEs increment the battle of the commercial center and check bit the monopolistic situating of substantial activity. Correspondingly SMEs go about as seed-bed for the advancement of entrepreneurial abilities, excogitation and they romp an essential part in the arrangement of serving to the network (Lusch and Vargo, 2007).

The effect of globalization has constrained SMEs to embrace ICTs, to empower SMEs to survive
and contend with vast gathering. The business condition isn't environmental static and geological separations are of no grandness for client-provider connections (Sharma and Bhagwat, 2006). Confirmation demonstrates that tough efficiency pick up have been accomplished in endeavors which have embraced data innovation globalization requirement (Dangayach and Deshmukh, 2003). Administration methods, for example, money related examination, estimating, and venture administration are once in a while utilized by SMEs. The rate of elaboration of globalization has energized among other illicit relationship the powerful feminine cycle of information in a foundation, which must be encouraged by the utilization of ICTs.

IT can likewise furnish SMEs with intensity through mix between inventory network accomplices and between authoritative capacities, and also by giving basic data (Dedrick, Gurbaxani, and Kraemer, 2013). Earlier, IT writing anyway has demonstrated that lone few examinations concentrated on the selection and utilization of IT in SMEs. Additionally, it has been discovered that despite exponential development of IT inside SMEs, the rate of IT acknowledgment by these organizations has remained generally low and expansive organization have observably benefitted more than SMEs in both their IT-empowered enhanced deal and cost sparing (Alam and Noor, 2009). In searching for purposes behind such contrasts in IT appropriation in SMEs, novel element of these organizations can be featured. SMEs for the most part have restricted access to the market data and experience the ill effects of globalization limitation. Administration procedures, for example, money related therapy, expectation, and undertaking administration are once in a while utilized by SMEs. Inclination to utilize generalists as opposed to experts, dependence on here and now arranging, casual and dynamic methodologies and basic leadership process and absence of institutionalization of working systems are other unmistakable attributes of SMEs (Mahmud and Ismael, 2010). Be that as it may, confined assets controlled by SMEs,
which is usually alluded to as asset destitution is the real differentiator amongst SMEs and extensive associations. Hence, and with respect to the shortcoming of SMEs at various authoritative and administrative, innovative, individual, and natural levels, the IT appropriation and use in SMEs is in an impediment position in this regard.

1.1.1 Usage of Information Technology
The cutting edge financial condition which is ruled by globalization, hyper-rivalry, and learning and data insurgency has reformed the way business is led (Pavic, Simpson, and Padmore, 2007). This new mechanical age is obvious through the strengthened interest in computer handling and information readiness in the assembling and administration industry and media communications framework and its expansive use in government offices, instructive associations, and, all the more as of late, in the family units. As the usage and commercialization of IT turns out to be more far reaching all through the world, the gathering of novel IT can make new business openings and diverse focal points. Nowadays, both enormous affiliations and SMEs are searching out approaches to strengthen their engaged position and improve their proficiency. In like manner, there is a growing attention to the need to deduce advantage through placing assets into IT inside SMEs. IT devices fundamentally help SMEs through providing required foundation vital for giving suitable kinds of data at the Interdisciplinary Journal of Research in Business.

1.1.2 ICT infrastructure
The development of ICT such as the fiber network infrastructure, various business applications, open source applications and SaaS provide enormous opportunities for small clientele to demeanor their business activities online. As per the organization for Economic Co-operation and Development (2003) investigation, gauging, and errand administration are once in a while utilized by SMEs, ICT has the ability to improve communication within an organization, leading to efficient resource management. More so, ICT applications such as ERP provide SME with a
reliable source of storage, sharing and utilizing acquired business knowlede (OECD, 2003).

Late examinations have analyzed the impacts of ICT speculation on monetary execution in shifting areas all through the world. One recent examination on Socio-monetary Impact of Internet in Emerging and Developing Economies (Telenor Group, 2012), checks that when Internet entrance climbs by 10 % in rising economies, it associates with an incremental GDP addition of 1% to 2 %. Likewise, another examination found that the relative GDP improvement rate of a creating country can benefit from outside assistance by 0.59 % per annum for every 10 mobile phones included per 100 inhabitants (World Economic Forum, 2009). ICT is currently known to be impetus of profitability and development in developing countries. Leonard Waverman and Dean Haskayne places that ICT must be utilized to fuel the worldwide recuperation since it's the key foundation of the 21stCentury (WEF, 2009).

1.1.3 Performance of SMEs and Utilization of ICT by Kenyan SMEs
Small and medium enterprises (SMEs) are dynamically being considered as great motors for economic advancement for most economies in the world (Islam, Khan, Obaidullah and Alam, 2011). Muraguri (2010) contends that SMEs have been known to contribute enormously in financial development of both developed and developing nations. SMEs offer of general work for example has a tendency to be higher in developing nations which are commonly more centered on little scale generation. Overview of 3/ 28,000 little and medium ventures in Africa and Latin America uncover that under 3% of SMEs extend by at least 4 workers after start-up (Mahmoud, 2011), in like manner the benchmark review of 1999 evaluated that 80% of the SMEs bombed within their initial three years in the wake of beginning up (GOK, 2001). Study by Abor and Quartey (2010) uncovered that around 91 percent of formal business elements in South Africa's economy are SMEs contributing 57% to the GDP. As indicated by the National Credit Regulator
(2011), SMEs in South Africa contribute about 61 percent to the nation's aggregate business. In light of the view that exploration on execution of SMEs has commanded strategy discourses on the subject of modern improvement, the significance of SMEs execution can't be disparaged; particularly in face of the ongoing worldwide business flow and industrialization (Akhtar, 2007).

Regardless of their parts as far as commitment to fares, business and financial advancement in Kenya, SMEs confront numerous difficulties that thwart development and improvement contrasted with their bigger partners. Nyagah (2013) distinguished a few difficulties confronting Kenyan SMEs, for example, restricted access to assets from money related organizations, human capital limitations, abnormal state of universal rivalry because of globalization, rivalry from Multinational Companies and constrained access to innovation.

Speculations and structures have been utilized in past examinations to propel research and routine with regards to ICT selection in SMEs (Mahmud and Ismael, 2010). A portion of these hypotheses and systems are Theory of Planned Behavior (Ajzen, 2011), Technology Acceptance Model (Davis, 1986), Technology Organization-Environment Model (Tornatzky and Fleischer, 1990), Diffusion of Innovation Theory (Rodgers, 1965). A portion of these hypothetical structures have been clarified in the writing audit, in spite of the fact that it does the trick to say here that the vast majority of the investigations that have connected hypothetical systems have included.

Prior examinations on Kenyan SMEs have concentrated fundamentally on levels of ICT utilization, discernments about ICT and ICT selection status. An audit of related writing uncovers that little consideration has been given to look into the elements that impact ICT selection among SMEs. Consequently, there is a need to direct further observational research to better comprehend the difficulties defying Kenyan SMEs that upset the appropriation and utilization of ICT. By
distinguishing these components, the applicable specialists might be in a more educated position when creating future strategies that better backings and empowers SMEs to embrace and use on the advantages that ICT presents. To this end, the present investigation looks to build up a comprehension of the central point and difficulties confronting Kenyan SMEs that restrain reception and utilization of ICT as a beginning stage for settling on choices on how partners can enable SMEs to use ICT and help government in strategy making.

Adopting ICT systems and applications has been difficult for many SMEs across the world (Jones et al, 2011), mostly as a result of the dynamic field of data frameworks advancement and the differing needs of local and global business. Past investigations of ICT adoption reports that businesses in developing nations generally haven’t completely used the intensity of the Internet to expand their operations past their regions except in the use of simple communication tools such as emails (Mpofu&Mathys, 2011). The influencing factors that may hinder or stimulate adoption of ICT include but are not limited to; cost of procuring and using ICT, lack of ICT knowledge by employees and managers, owner/managerilliteracy levels, failure to see ICT benefits, antagonistic administrative arrangement and necessities and social issues. This examination intends to propel the comprehension of ICT reception from inside the association, to uncover the social-specialized issues that can clarify the SME ICT appropriation or non-selection.

1.2 Statement of the problem

The advancement of innovation has profoundly influenced the way organizations work (Pavic, 2007); it has changed the association structures and the level of rivalry. Innovation has made a focused edge for the organizations which have received ICTs in their business tasks. ICTs reception in SMEs are said to give intends to availability, handling and dispersing more prominent measure of information and data rapidly in the association to help the way toward
settling on keen choices (Jimmy and Li, 2003)

SMEs are habitually the guideline driver for a country's money related improvement. Regardless, as the amount of SMEs fabricates, competition grows, which by then achieves a diminishing in costs, customer base, or both (Alam and Noor, 2009). This thus will disintegrate existing benefits, making less impetus for proprietors to oversee or even individuals to begin SMEs. With the need to remain competent and ensure profitability and growth, SMEs has to adopt information technology to help them grow their finances and effectively run their activities and achieve their goals.

In an undertaking to have more summed up comes about on the connection between ICT appropriation and SME execution, a few researchers have utilized a cross-country approach. In spite of its preferences in reaching more summed up inferences, this approach isn't pervasive because of the nonappearance of tantamount global information on SMEs (Beck, Demirguc-Kunt, and Levine, 2005).

Patrakosol and Lee (2009) embraced an examination to decide how IT usage adds to better SME execution between two nations; USA (developed nation) and Thailand (developing nation). Fundamentally, the examination was set to demonstrate that IT specialized capacities had a positive association with SME execution over the two nations. Shockingly enough, they found that specialized IT abilities profited SMEs in Thailand (the developing nation) more than in USA the developed nation. More so, Thailand IT selection highly affected advancement execution than in the USA. In general, it was demonstrated that ICT capacities help enhance SME execution. Due to changing technologies in today’s world, SME has to adopt the IT system to help in facilitating achievements of its goals and ensuring efficiency in their work environment. The growing
demand of expanding business and increasing business income has pushed SMEs to resolve in IT to coordinate its activities and automate its work. Therefore, the focus of this study was to assess the influence of information technology adoption on productivity, cost efficiency and quality of service offered by small and medium sized enterprises.

1.3 Research objectives

1.3.1 General objectives

The general objective of this study was to assess the effects of information technology on financial performance of small and medium sized enterprises in West Pokot county, Kenya.

1.3.2 Specific objectives

The specific objective of the study were to:

1. Determine the effects of IT infrastructure on financial performance of SMEs in West Pokot County, Kenya.

2. Establish the effects of IT technical capacity on financial performance of SMEs in West Pokot County, Kenya.

3. Determine how ICT adoption patterns affect financial performance of SMEs in West Pokot County, Kenya.

1.3.3 Research questions

In order to achieve the above objectives, the study was guided by the following research questions:

1. What are the effects of IT infrastructure on financial performance of SMEs in West Pokot County, Kenya?
2. What are the effects of IT technical capacity on financial performance of SMEs in West Pokot County, Kenya?

3. How do IT adoption patterns affect financial performance of SMEs in West Pokot County, Kenya?

1.4 Assumptions of the study
1. IT infrastructure affects financial performance of SMEs in West Pokot County, Kenya.

2. Information technology technical capacity affects financial performance of SMEs in West Pokot County, Kenya.

3. ICT adoption patterns affect financial performance of SMEs in West Pokot County, Kenya.

1.5 Significance of the study
A well-defined information system reduces operational costs, time and creates a satisfied business relations environment. On the other hand, as ICT is highly dynamic and complicated, issues of sunk costs may arise due to obsolescence, limited knowledge and fraudulent cases among others. For these two reasons, the necessity of ICTs in improving business performance and the acquiring, maintenance and competency costs involved creates the necessity why the study is important to broaden the interest and need of enhancing adoption, secure, efficient and effective use of ICTs by SMEs to enhance their competitiveness, sustainability and economic performance.

1.6 Scope of the study
The study focused on the ICT usage in line with financial performance of small and medium sized enterprises for period starting from 2013 to 2017. SMEs in West Pokot County were picked as the case study, appropriate sampling techniques was used to sample 150 SMEs owners/managers, a questionnaire was issued and a maximum period of two weeks was given to respondents to return the filled forms.
1.7 Limitation of the study
The study focused on effects of ICT adoption on financial performance of SMEs. The perceived risk of sharing business information to strangers was a big challenge when collecting the data, business owners gave little information concerning their businesses. Another challenge is that, most of the business owners have no ICT skills so majority of the respondents were employees who manage ICT activities in the business who at times have minimum knowledge on the growth and financial performance of the business which lead us to little information from the business. Geographical distance between the trading centers in west Pokot County also posed another problem as it took more time to administer questionnaire more so it was expensive to conduct the research.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focused on the discussion of the literary works of various scholars investigating the effects of adoption of IT to the financial performance of SME. The literature was reviewed to identify the shortfalls in the existing literature that can be tackled during the course of this research study, primarily using the results from the primary research and addressing the problems.

2.2 Theoretical Framework

There are several existing theoretical models that explain specifically the adoption of ICT in SMEs. In this study, we will review Technology acceptance model, Resource based theory and diffusion on innovation.

2.2.1 Diffusion of Innovation

Diffusion of innovations is hypothesised significant by Everett Rogers that looks to clarify how, why, and at what rate new thoughts and innovation spread. Rogers fights that dissemination is the system by which an improvement is passed on after some time among the individuals in a social structure. Rogers characterizes diffusion as "the procedure in which advancement is imparted carefully through certain channels after some time among the individuals from a social framework". Diffusion research has focused on five districts that is the characteristics of an improvement which may affect its appointment, the essential initiative process that happens when individuals think about grasping another idea, thing or practice, the characteristics of individuals that make them subject to get a progression, the results for individuals and society of accepting an advancement and correspondence occupies used as a piece of the gathering method.

The DOI approach has its essential spotlight on how potential adopters see a development as far
as relative favorable position/detriment (Rodgers;, 1995); henceforth a portion of the variables of the DOI approach help shape our structure: inventiveness, multifaceted nature, similarity and relative preferred standpoint. Besides, firms that seriously utilize a specific innovation are frequently prime contender for early selection of the up and coming age of that innovation (Shih et el, 2013). The dispersion of developments approach in our investigation is imperative to understanding the elements having an effect on everything in connection to appropriation and utilization of ICT in SMEs. There are talks concentrating on reception by associations and furthermore by people. These two kinds of selection both assume a part when researching the dissemination and appropriation of ICT by SMEs. All things considered, in SMEs a considerable lot of the essential choices are made by the proprietor administrator. The authoritative choice to receive innovation progresses toward becoming interwoven with individual observations and states of mind of the proprietor chief towards that innovation (Akkeren and Cavaye, 1999). Dissemination in SMEs is to a great extent by method for relational/between firm systems.

2.2.2 Technology Acceptance Model

The most broadly utilized model of IT selection and use is the technology acceptance model (TAM) that has appeared to be exceptionally prescient of IT appropriation and use (Davis et al;, 1989; Venkatesh& Davis;, 2000; Venkatesh& Morris;, 2000 and Venkatesh&Bala;, 2008). TAM was intended to clarify PC utilization through two perceptions: perceived usefulness (PU) and attitude (PEOU1) as determinants of intention (Davis et al;, 1989). Hart (2010) expressed the requirement for TAM to be coordinated with other IT approaches that join chiefs' social and peculiar attributes.

Though these approaches contributed to ICT/SME literature and influenced the formation of our framework, they also harbour some shortcomings. TAM is condemned for not representing the
impact and individual control factors on conduct, including the absence of thought to different factors, for example, outer impacts from the natural traits, providers, clients and contenders (Akkeren and Cavaye, 1999); (Manueli et al., 2007). On the other hand, DOI fails to take into account a firm’s resources or social support to adopt new ICT. Regarding RBV approach, it mainly focuses on the internal aspects of the firm, however, as we have observed SMEs make use of their external context; their supply chain and reliance on external expertise, factors not currently addressed by the RBV.

A stream of SME/ ICT adoption literature and empirical analysis has emerged over the years in different contexts (Levy et al.; 2001; Rashid & Al-Qirim;, 2001; Caldeira& Ward;, 2001 and 2002; Wymer& Regan;, 2005; Kew & Herrington;, 2009; Oliveira & Martins;, 2011; Neirotti et al.; 2013; Elbeltagi et al.;, 2013). These studies followed different research paths/streems. Our approach adapts the Framework of Rashid and Al-Qirim (2001) to the South African context. Given that the framework originally focused on a developed country (New Zealand), the application of this framework in a developing country may be required to help us study contextual factors of the sample firms.

2.3 Empirical Literature

Various related experimental and hypothetical literary works have tested into the subject of ICT selection and SMEs execution with differing suppositions and unique perspectives. Studies have demonstrated that ICT ventures add to returns at the firm level. As such, some firm with comparative IT venture may have performed in an unexpected way. There was solid confirmation that the distinction in execution was affected by authoritative capital. Hierarchical capital here alludes to administration practices, for example, work preparing, business process rebuilding, and others. In basic terms, ICT speculation yields comparing returns for the organizations
that flawlessly incorporate ICT into their authoritative structure. This view is ordinarily acknowledged by most researchers and could be extended to enterprises and even nation economies.

The above writing makes it obvious that while measuring the advantages of ICT to execution, it is valuable to look more remote than simply the immediate connection between these two factors. Truly, "ICT isn't just an apparatus for computerizing existing procedures, however is all the more critically an empowering agent of hierarchical changes that can prompt efficiency" (Dedrick, Gurbaxani, and Kraemer, 2013). Accordingly, ICT reception may prompt distinctive results in various substances.

For instance, Morikawa (2004) attempted an examination in Japan to break down the connection amongst ICT and advancement exercises in the SME segment and furthermore the connection amongst ICT and productivity. Having reaction from surveys conveyed to a significant example of SMEs, relapse examination was made. It was found that there is a positive connection between IT hardware and association's execution. As such, ICT reception was observed to be a solid marker of better execution particularly with regards to little firms. He inferred that the Japanese approach went for empowering ICT selection among Japanese SMEs was reasonable. Be that as it may, the relationship ought not be viewed as quantitative since the information utilized was of a discrete sort. More so, as prior said, alert is required when utilizing these outcomes for derivations, as results may fluctuate contingent upon every nation's institutional structure.

Fitting use of ICT can assist SMEs with increasing high ground by lessening costs and improving focus business shapes. ICT is depicted as a vital instrument that enables clients to be proficient and compelling (Sewanyana, 2009). The dissemination of ICT in numerous nations by various
areas of the economy have prompted quick improvement in these nations and has likewise been found to have coordinate positive effect on association's proficiency (Achimugu et al, 2009). As indicated by Fullanteli and Allegra (2003), ICT offers ventures an extensive variety of conceivable outcomes for enhancing their aggressiveness. They give components to gaining admittance to new market openings and particular data administrations, for example, separate counseling, persistent preparing, new warning modes etc. organizations can exchange continuous information and build closer relationships with their customers, providers and business partners; clients can get fast input that enable organizations to respond quickly to changing customers needs and perceiving new market specialties.

Quick (2009) fights that SMEs advantage from the usage of ICT as it interfaces them simply more easily and monetarily to external contact. Different advantages incorporate expanding business aggressiveness, vertical mix with other related activities, meeting partners of different organizations, organizing with different gatherings, making an empowering situation and the advancement of inward skill in catching business sector openings (Swift, 2009). Subsequently, the interest in ICT will bring about expanding SME's rate of offers and offer of market, enhance ROI, and help them to grow new items and additionally advertise.

ICT upgrades undertaking execution through circuitous cost reserve funds, for example, work costs and expanded work profitability and direct cost, for example, diminishment of company's inputs (Chowdhury and Wolf; 2003; Love et al, 2006). Notwithstanding these short-run effects of ICT in the generation procedure, the utilization of ICTs in the exchange procedure can encourage information and yields advertise extension. Be that as it may, in the long haul ICT may have a greater effect as it could totally rebuild the generation procedure and exchange strategies, increment adaptability and enhance yields (Chowdhury and Wolf, 2003). With everything taken
into account, it can be assumed that IT can affect the execution of an undertaking in numerous structures. Obijiofor et al (2005) consider ICT to be a significant gadget for kick-beginning crippled economies and hence in helping creating social orders to get up to speed with the created world. ICTs have gainful conceivable outcomes for creating SMEs through more great utilization and better consolidation in their business frames. A cross-country investigation in this field was directed by Ark et Al; (2002) to scour the commitment of IT to profitability development at the full scale level. Here, 16 (sixteen) OECD nations were inspected and re-ordered into two (2) sets, to be specific; European Union and North America for simple examination. These nations' ventures were assembled into IT creating, IT utilizing and non-IT utilizing businesses and their relating commitments to Gross Domestic Product (GDP) was registered. The distinction in profitability development amongst EU and North America could be effectively clarified utilizing ICT reception in these areas. This suggests the efficiency development rate of the countries concerned was especially connected to the extents of the ICT bunches specified previously.

Kharuddin, Ashhari, and Nassir (2010) made an investigation coordinated at seeing whether educated choice empowers the SMEs to expand business productivity and remain aggressive. To research this applicable issue they concentrated on the reception of bookkeeping data frameworks in SMEs in Malaysia. The exploration continued through poll and information was gathered for a multiyear time span for the SMEs being referred to. Utilizing relapse examination to break down the subsequent board information, it was discovered that embracing data frameworks is pivotal for SMEs as it enhances business effectiveness and aggressiveness. All the more for the most part, it could be translated that data frameworks give SMEs the correct abilities and assets to defeat the aggressive weight from inside the SME business and furthermore from the bigger firms. In spite
of the fact that their examination was centered around data framework, the outcomes could be meant ICT by and large as it is difficult to separate data framework and ICT.

2.4 Summary/Gap in Literature

The empirical literatures gave bits of knowledge and have likewise recognized different impacts of ICT selection on SMEs execution from different stance and with fluctuating truly viewpoints and sagacious experimental discoveries. This investigation fills a gap by assessing the effects of ICT adoption on enhanced SMEs financial performance which is a critical linkage that is discovered missing in the literature in this part of world particularly in West Pokot County, Kenya.

2.5 Conceptual Framework

The study sought to assess the effects of IT adoption on financial performance of SMEs, adoption of IT relates to incorporation of various technologies that ease in generation of business related information and enhance communication within the business environment. While these technologies have increased productivity, promoted improved quality of service offered by SMEs and increased effectiveness and management of SMEs, they have their involved costs which may otherwise harm performance of SMEs. ICT infrastructure, technical capacity and the adoption patterns plays a key role in improving profitability and growth of SMEs. SMEs operations relate to activities that define a firm’s value and supply chain. It encompasses interaction of all stakeholders involved and resources employed both in internal and external environments of a firm. Resources employed range from financial, time, human, expertise and IT.
Figure 2.1: Conceptual Framework
Source: Researcher (2018)
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a systematic discussion on research strategy to be adopted in establishing on how information and communication technology influences the performance of small and medium sized enterprises in Makutano in west Pokot County. The section displays the examination system under the accompanying subsections; the exploration configuration, target populace, testing method and test measure, research instruments, legitimacy and unwavering quality, information investigation strategies and moral contemplation.

3.2 Research Design

This study adopted descriptive research design. This approach was appropriate for collecting data necessary to accomplish the tasks set out by the objectives of the study. The study described events, conditions and systems based on the impressions on reactions of the respondents of the research.

A survey design depicts people responses to request concerning a wonder or situation with the purpose of understanding respondent's perceptions from which saying is constructed (KIM, 2009). This relies upon the constructivist epistemology which holds that the fact of the matter is the thing that respondents generally observe to be. An overview configuration was particularly important as the examination attempts to develop the impression of respondents about the effect of ICT on SME.

3.3 Target Population

The target populations of this study were the small and medium sized enterprises Owners/managers around Makutano Town, Kapenguria. Target populace as characterized by
Kothari, (2013) is an all-inclusive arrangement of the investigation of all individuals from
genuine or theoretical arrangement of individuals, occasions or protests which an examiner
wishes to sum up the outcome. Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small</td>
<td>Medium</td>
</tr>
<tr>
<td>Hardware</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>General Retail Shops</td>
<td>125</td>
<td>75</td>
</tr>
<tr>
<td>Bar and Restaurants</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Bookshops and stationery</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Super markets</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Wholesale shops</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Bank Branches</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Cyber Café</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Hotels</td>
<td>53</td>
<td>20</td>
</tr>
<tr>
<td>Workshops</td>
<td>39</td>
<td>15</td>
</tr>
<tr>
<td>Fuel stations</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Radio stations</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Saccos/MFIs</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Colleges/Universities</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Lodgings</td>
<td>29</td>
<td>5</td>
</tr>
<tr>
<td>Chemists</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>263</td>
<td>237</td>
</tr>
</tbody>
</table>

Source: Revenue Department. West Pokot County 2018
3.4 Sampling Procedures

Since the target population is large, the researcher sampled few business owners and representatives of the employees at the selected enterprises, and issued them with the questionnaires; Examining is the technique by which a decently unassuming number of individual, challenge or event is picked and separated to find something about the entire masses from which was picked. A case is a little degree of centered masses picked using some productive casing. The exploration will utilize stratified random sampling since it empowers things with unmistakable qualities to be gathered into various strata (Kothari 2013).

To determine the effects of ICT on SMEs, we used stratified random sampling in each sector of business to get all sectors represented; we then used purposive sampling to get our target sample in each stratum. Our sampling was done on computerized business in order to ascertain its impacts. The following table gives the sample size of each business sector. Our Sample size is 150; we used the stratified random formula

**Sample size of the strata =** size of entire sample / population size * layer size

Table 3.2 Sample Size Calculation

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>Formula</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware</td>
<td>22</td>
<td>150/500*22</td>
<td>6</td>
</tr>
<tr>
<td>General Retail Shops</td>
<td>200</td>
<td>150/500*200</td>
<td>60</td>
</tr>
<tr>
<td>Bar and Restaurants</td>
<td>9</td>
<td>150/500*9</td>
<td>3</td>
</tr>
<tr>
<td>Bookshops and stationery</td>
<td>15</td>
<td>150/500*15</td>
<td>5</td>
</tr>
<tr>
<td>Super markets</td>
<td>5</td>
<td>150/500*5</td>
<td>2</td>
</tr>
<tr>
<td>Wholesale shops</td>
<td>18</td>
<td>150/500*18</td>
<td>5</td>
</tr>
</tbody>
</table>
3.5 Data Collection and Instruments

The study relied on primary and secondary data source. A questionnaire is a printed self-report outline proposed to motivate information that can be obtained through the made responses out of the subjects Mugenda and Mugenda (2013). An open-ended question was incorporated to empower the subjects to react to inquiries in their own particular words and give more detail. Closed-ended questions were likewise incorporated on the grounds that they are less demanding to regulate and to break down. They are likewise more effective as in a respondent can finish more Closed-ended questions than Open-ended questions in a given timeframe (Kothari 2013). The secondary source of information will be business articles, Journals, SMEs distributed articles and web that are straightforwardly identified with the examination territory.
3.6 Validity and Reliability
The researcher carried out a pilot study to pre-test and validate the questionnaire. To establish the validity of the research instrument the researcher sought the opinion of the supervisor. This encouraged the important update and change of the examination instrument in this way upgrading legitimacy. The researcher chose a pilot gathering of 10 SMEs to test the unwavering quality of the exploration instrument. With a particular true objective to test the steadfast nature of the instrument, inside consistency framework was associated using Cronbach's Alpha. The Alpha regard keeps running in the region of 0 and 1 with relentless quality growing with the development in regard. Coefficient of 0.6-0.7 is a normally recognized tried and true rule that shows satisfactory immovable quality and 0.8 or higher exhibited incredible trustworthiness (Kothari, 2013).

3.7 Data Analysis and Presentation
After the data is collected it was organized and analyzed. For the analysis of closed-ended questions, a computer aided Statistical Package for Social Sciences (SPSS) was used. Data was analyzed using descriptive analysis and multiple linear regressions. Recurrence tables were drawn and from these the information was introduced in pie diagrams and reference charts. The open-ended inquiries were dissected through clear examination by the researcher with the point of evaluating rising attributes and ideas.

The linear regression equation will be $Y_1 = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + E_1$

Where $Y_1$ = Financial performance, $a$ = Population Y intercept, $b_1$ = population slope, $X_1$ = IT infrastructure, $X_2$ = IT technical capacity, $X_3$ = IT adoption patterns
3.8 Ethical Consideration

The exploration guaranteed that all data that was assembled was treated with most extreme privacy and for scholarly purposes as it were. Information gathering process clung to exclusive requirements of good and legitimate standards regarding focus on respondents' perspectives and levels of participation. Formal methodology and correspondence channels were utilized when gathering information. The goal of the investigation and nearness or nonappearance of gathering benefits was obviously illuminated to the respondents previously information accumulation with the end goal of straightforwardness.
CHAPTER 4: RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction
This chapter focused on data analysis, interpretation and presentation. The chapter covers the demographic characteristics, IT tools, IT adoption and financial performance of SMEs (which includes factors influencing ICT adoption, effects of IT infrastructure, IT technical capacity and IT adoption patterns on financial performance of SMEs), SMEs past financial records and other benefits accrued from IT adoption.

4.1.1 Response rate
The study sample consisted of 150 participants. Out of this sample size, 138 participants returned the questionnaires filled of which 3 of them were incomplete. The remaining 135 questionnaires which represents 90% response rate were used for data analysis. This response rate was incredible and fits in with Mugenda and Mugenda (2013) stipulation that a response rate of half is sufficient for examination and revealing; a rate of 60% is great and a response rate of 70% and over is phenomenal. The participants were persons well placed to knowledgably answer the questions on the state of ICT in their respective businesses.

4.2 Demographic characteristics
The demographic characteristics of the SMEs were investigated in the first section of the questionnaire. They are presented in this section under age of the business, number of employees in the business and position held in business.
4.2.1 Age of business

Table 4.1: Age of business

<table>
<thead>
<tr>
<th>NO. OF YEARS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5 YEARS</td>
<td>17</td>
<td>12.6</td>
</tr>
<tr>
<td>6 – 10 Years</td>
<td>48</td>
<td>35.6</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>70</td>
<td>51.8</td>
</tr>
<tr>
<td>Total</td>
<td>135</td>
<td>100</td>
</tr>
</tbody>
</table>

According to the findings on table 4.1, Majority of businesses had started over ten years ago being represented by 51.8% followed by 6 to 10 years which is represented by 35.6% and those with 5 year and below being represented by 12.6%.

4.2.2 Number of employees

Table 4.2 Number of employees

<table>
<thead>
<tr>
<th>No of Employees</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 5</td>
<td>77</td>
<td>57</td>
</tr>
<tr>
<td>6 – 20</td>
<td>45</td>
<td>33</td>
</tr>
<tr>
<td>21 – 50</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Over 50</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>135</td>
<td>100</td>
</tr>
</tbody>
</table>

As indicated in table 4.2, several businesses had 5 or less employees which are represented by 57%, 33% represents organizations with employees ranging from 6 to 20 while 10% represents SMEs with employees ranging from 21 to 50. It also indicates that there is no SME with over 50 employees.
4.2.3 Position in the Business

Table 4.3 Position in the business

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>92</td>
<td>68.2</td>
</tr>
<tr>
<td>Employee</td>
<td>29</td>
<td>21.4</td>
</tr>
<tr>
<td>Family</td>
<td>14</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>135</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From table 4.3 above, it indicates that 68.2% of the owners are managed directly by Owners, 21.4% by employees and 10.4% by Family members.

4.3 Utilization of IT tools in business

4.3.1 Number of SMEs that have utilized IT

Table 4.4: Number of SMEs that have adopted ICT

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>125</td>
<td>92.6</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>135</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

As indicated in table 4.4, the numbers of SMEs that have adopted IT in their operations are represented by 92.6% and those that have not yet adopted are represented by 7.4%.
4.3.2 Utilization of ICT tools

Table 4.5: Extent of investment on ICT tools

<table>
<thead>
<tr>
<th></th>
<th>Computer</th>
<th>Network</th>
<th>ERP</th>
<th>Copier</th>
<th>Telephone</th>
<th>Internet</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>N Valid</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>Missing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>4.18</td>
<td>4.21</td>
<td>2.55</td>
<td>3.86</td>
<td>4.72</td>
<td>3.02</td>
<td>3.35</td>
</tr>
<tr>
<td>Std.Deviation</td>
<td>0.916</td>
<td>0.744</td>
<td>1.012</td>
<td>0.965</td>
<td>0.485</td>
<td>1.241</td>
<td>0.882</td>
</tr>
</tbody>
</table>

Findings from table 4.5 above indicates that SMEs have utilized telephone and mobile services to the great extent as its shown by the mean score of 4.72, They have invested in Network, Computer and Copier, printers and scanners to a good extent represented by a score of 4.21, 4.18 and 3.86 respectively, while other IT tools, Internet and ERP have an investment score of 3.35, 3.02 and 2.55 respectively which is moderately good.

4.3.3 Operation of ICT tools

Table 4.6: Number of SMEs that hire experts to operate the IT department

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>44</td>
<td>35.2</td>
</tr>
<tr>
<td>No</td>
<td>81</td>
<td>64.8</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.6 shows that the number of SMEs who hire experts for the operation of IT tools is represented by 35.2% while 64.8% represents SMEs who manage and operate ICT tools by their own.
4.4 IT adoption and financial performance of SMEs

4.4.1 Adoption of IT

Table 4.7: Number of businesses that have improved financial performance with IT adoption

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>125</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>100</td>
</tr>
</tbody>
</table>

Finding on Table 4.7 indicates that all SMEs owners and managers acknowledge that adoption of IT improves financial performance of the business. It’s indicated by 100%.

4.4.2 Percentage increase of business performance

Table 4.8 Financial performance percentage increase with the adoption of IT

<table>
<thead>
<tr>
<th>Percentage Increase</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 25</td>
<td>17</td>
<td>13.6</td>
</tr>
<tr>
<td>26 – 50</td>
<td>53</td>
<td>42.4</td>
</tr>
<tr>
<td>51 – 75</td>
<td>46</td>
<td>36.8</td>
</tr>
<tr>
<td>Over 75</td>
<td>9</td>
<td>7.2</td>
</tr>
<tr>
<td>Total</td>
<td>125</td>
<td>100</td>
</tr>
</tbody>
</table>

Findings on Table 4.8 indicate that adoption of IT in SMEs has generally increased the financial performance of SMEs, 42.4% of the respondents said their financial performance has increased to between 26% - 50%, 36.8% indicated 51% - 75% while 0 – 25% were represented by 13.6%. Few SMEs represented by 7.2% of the respondents indicated a performance increase of over 75%.
4.4.3 Factors influencing IT adoption in SMEs

Table 4.9: Extent in which the respondents believes the following factors affected their choice of IT adoption

<table>
<thead>
<tr>
<th></th>
<th>Competition</th>
<th>Quality</th>
<th>Convenience</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>Valid</td>
<td>125</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>Missing</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td>4.70</td>
<td>4.26</td>
<td>4.45</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td></td>
<td>0.585</td>
<td>0.906</td>
<td>0.689</td>
</tr>
</tbody>
</table>

Findings on Table 4.9 indicate that volume of transactions and competition are the factors that affected adoption of IT in SMEs to the great extent represented by a mean score of 4.75 and 4.70 respectively. Quality of service and convenience is represented by a score of 4.26 and 4.45 respectively which is of a good extent.

4.4.4 Effects of ICT infrastructure on financial performance of SMEs

Table 4.10: Extent to which respondents thinks the following It infrastructure affects financial performance of SMEs

<table>
<thead>
<tr>
<th></th>
<th>Quality of service</th>
<th>Vol. of transaction</th>
<th>Conn. to suppliers and customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>Valid</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>Missing</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td>4.45</td>
<td>4.37</td>
<td>4.29</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>0.735</td>
<td>0.768</td>
<td>0.521</td>
</tr>
</tbody>
</table>
Table 4.10 shows that the respondents believed that both Quality of service, Volume of transaction and connections to suppliers and customers affected financial performance of their businesses to a good extent represented by a mean score of 4.45, 4.37 and 4.29 respectively.

### 4.4.5 Technical capacity and financial performance of SMEs

Table 4.11: Extent to which respondents believes technical capacity affects financial performance of SMEs

<table>
<thead>
<tr>
<th></th>
<th>Reduced operational cost</th>
<th>Accuracy and Efficiency</th>
<th>Reduced transaction cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>Valid</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td>Missing</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td>3.71</td>
<td>4.20</td>
</tr>
<tr>
<td>Std. Dev</td>
<td></td>
<td>1.076</td>
<td>1.783</td>
</tr>
</tbody>
</table>

Findings on Table 4.11 indicates that the respondents believes that Accuracy and Efficiency and reduced operation cost affects financial performance to a good extent with a mean score of 4.20 and 3.71 respectively. Reduced transactional cost is believed to affect financial performance to a moderate extent represented by a mean of 3.06
4.4.6 ICT adoption patterns and financial performance of SMEs in West Pokot County

Table 4.12: Extent to which respondents believes that the IT adoption pattern affects financial performance of SMEs

<table>
<thead>
<tr>
<th></th>
<th>Service Delivery</th>
<th>Customer interaction</th>
<th>High technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>Valid</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td></td>
<td>Missing</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td>3.18</td>
<td>3.46</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td></td>
<td>1.207</td>
<td>1.175</td>
</tr>
</tbody>
</table>

Table 4.4.6 shows the extent to which ICT adoption patterns affects financial performance of SMEs, it indicates that High technology affects financial performance to a good extent which is represented by mean score of 3.62 while customer satisfaction and service delivery affects financial performance to a moderate extent which is represented by a mean score of 3.46 and 3.18 respectively.

4.4.7 IT adoption and the business operations

Table 4.13: Extent to which respondents believes IT usage affects business operations

<table>
<thead>
<tr>
<th>Benefits of IT adoption</th>
<th>Mean</th>
<th>St. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of service</td>
<td>3.83</td>
<td>0.94</td>
</tr>
<tr>
<td>Increased connection to Customers</td>
<td>4.00</td>
<td>1.063</td>
</tr>
<tr>
<td>Reduced lead times</td>
<td>3.28</td>
<td>1.323</td>
</tr>
<tr>
<td>Accuracy and efficiency</td>
<td>4.42</td>
<td>0.774</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>3.98</td>
<td>1.043</td>
</tr>
<tr>
<td>Reduced operation cost</td>
<td>4.21</td>
<td>0.892</td>
</tr>
<tr>
<td>Organization expansion</td>
<td>3.12</td>
<td>1.594</td>
</tr>
</tbody>
</table>
Table 4.13 indicates that to a good extent Accuracy and efficiency, reduced operational cost, increased connection to customers, customer satisfaction and quality of service has the adoption of IT benefited business operation represented by a mean score of 4.42, 4.21, 4.0, 3.98 and 3.83 respectively. To a moderate extent is reduced lead times and organizational expansion represented by a mean of 3.28 and 3.12 respectively.

4.5 Financial performance

Table 4.14 Average Financial records for the past five years in Ksh.

<table>
<thead>
<tr>
<th></th>
<th>Number of SMEs</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Total Assets (000)</td>
<td>125</td>
<td>470</td>
<td>533</td>
<td>724</td>
<td>890</td>
<td>1150</td>
</tr>
<tr>
<td>Average Net Income(000)</td>
<td>125</td>
<td>100</td>
<td>122</td>
<td>277</td>
<td>313</td>
<td>472</td>
</tr>
</tbody>
</table>

Findings on table 4.14 shows the average of total assets owned by the SMEs in west pokot in 2013 to be Ksh.470, 000, in 2014, 2015, 2016 and 2017 were Ksh.533, 000, Ksh.724,000, Ksh.890,000 and Ksh.1,150,000 respectively. The average net income for SMEs in West Pokot county Ksh.100, 000 in 2013, Ksh.122, 000 in 2014, Ksh.277, 000 in 2015, Ksh.313, 000 in 2016 and Ksh.472, 000 in 2017.
Table 4.15 Annual turnovers in Ksh

<table>
<thead>
<tr>
<th>Amount</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 100,000</td>
<td>7</td>
<td>5.2</td>
</tr>
<tr>
<td>100,001 – 250,000</td>
<td>19</td>
<td>14.1</td>
</tr>
<tr>
<td>250,001 – 500,000</td>
<td>33</td>
<td>24.4</td>
</tr>
<tr>
<td>500,001 – 750,000</td>
<td>42</td>
<td>31.1</td>
</tr>
<tr>
<td>750,001 – 1,000,000</td>
<td>23</td>
<td>17.1</td>
</tr>
<tr>
<td>Over 1,000,000</td>
<td>11</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>135</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Findings from table 4.15 indicates that 31.1% of the businesses has an annual turnover of between Ksh.500,001 – 750,000, 24.4% represents Ksh.250,001 – 500,000, 17.1% represents Ksh.750,001 – 1,000,000, 14.1% represents Ksh.100,000 – 250,000, Over Ksh.1,000,000 is represented by 8.1% while less than Ksh.100,000 is represented by 5.2%.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter presents summary of the findings, conclusions and recommendations of the study based on the objectives of the study. The chapter finally presents the suggestions for further studies.

5.2 Summary
The purpose of the study was to assess the effect of IT adoption on financial performance of SMEs in West Pokot County - Kenya. As such the study sought to establish the effects of IT infrastructure, IT technical capacity and the effects of IT adoption patterns on financial performance of SMEs in West Pokot County. The questionnaire was designed in line with the objectives of the study. The task included; establishing factors influencing IT adoption amongst SMEs in West Pokot county, analyzing IT tools that are utilized in the business while gauging the extent of investment on across business units and their influence on financial performance of the business. The researcher inspected past examinations with a view to build up scholastic holes which the present investigation tried to connect. This was done through library inquire about. The technique included: perusing, assessing the approach utilized as far as outline decision, target populace, test and examining method information gathering instruments (that is suitability, validity and reliability), information accumulation methodology, information examination, discoveries and suggestions. The examination profited such a great amount from the writing survey for it guided the present examination by indicating regions that should be researched. The investigation utilized engaging overview examine as the primary way to deal with control the examination. The target population included 150 managers and owners of SMEs in West Pokot County. The exploration instrument utilized in information accumulation was a questionnaire
from the respondents. Information examination was begun promptly after the field. Information was condensed into frequencies and rates and displayed in diagrams, pie graphs and tables. The study deduced that the forms of IT tools that the businesses had invested to a great extent are telephone and mobile phones services as shown by a mean score of 4.72. The study also found that majority of businesses have adopted ICT represented by 92.8% and all businesses that have adopted IT agreed that IT increased financial performance. The study further established that to a great extent the volume of sales and competition contributed to the adoption of IT by the SMEs as indicated by a mean score of 4.75 and 4.70 respectively. Convenience and quality influence adoption to a good extent as shown by a mean score of 4.45 and 4.26 respectively. The study found out that IT infrastructure led to improved financial performance of the business. To a good extent has the hardware, software and networking improved financial performance as indicated by a mean score of 4.45, 4.37 and 4.26 respectively. The study also found out that there is a relation between IT technical capacity and financial performance of a business. Employees training, Human resource capacity and hiring of vendors are among the considered variables in technical capacity. The study found that to a good extent has the Human resource capacity and employees training represented by a mean score of 4.20 and 3.71 respectively while hiring of vendors is indicated by a mean score of 3.06 which is moderate. It adoption patterns was measured using technological characteristics, Individual characteristics and company context. Company context influenced financial performance of tyhe business to a good extent indicated by a mean score of 3.62 and Individual and technological characteristics influenced financial performance to a moderate extent represented by 3.46 and 3.18 respectively.

5.3 Discussion

This segment involves exchange considering the particular research objectives of the study. The
discoveries uncover that larger part of the respondents were proprietors of the SMEs. The findings further reveal that more than half of the SMEs had operated for over 10 years indicated by 51.8%. The discoveries uncover that every one of the respondents concurred that reception of IT improved the financial performance of the SMEs. The examination concurs with the explanation that usage of ICT instruments has a critical impact on associations and every one of its components including individuals, culture, structure, process and undertakings (Leavitt and Pondy, 1964). The study findings reveal that majority of the respondents gave the following as ways in which adoption of IT has benefited improvement of financial performance of SMEs: there is great access to new markets, increased connections to customers, increased sales, reduced lead times, better connection to new partners, improved communication, great organizational expansion, improved quality of products and services, greater customer satisfaction, greater innovation, reduced transportation, security and communication costs and improved returns.

5.3.1 Effects of IT infrastructure on financial performance of SMEs

This examination investigates the connection between data innovation framework capacities and money related execution of SMEs. Profit for deals is used as the proportion of firm execution, because of its capacity to show a company's upper hand and asset/focused adaptability. Using existing measures, an instrument was utilized which tended to the different measurements of IT framework. Several factors were found to significantly affect return on sales. Quality of service offered, volume of transactions and connections to customers and suppliers were among the factors that were investigated. The findings of the research shows that all this investigated factors affects financial performance to a great extent lead by quality of service which is represented by a mean score of 4.45, volume of transactions is expressed by a mean of 4.37 and connections to customers and clients indicated by a mean score of 4.29. These discoveries agree with
Matambalya and Wolf (2007) data and correspondence innovation makes quick accessibility to the market, builds choice power, enhances correspondence, encourages recognizable proof of business sectors, enhances showcasing and decreases business exchange costs.

5.3.2 Effect of IT technical capacity on financial performance of SMEs

Information Technology (IT) offers many opportunities for firms to succeed. This study concentrated on finding how technical IT skills and the use of IT affect financial performance of SMEs in West pokot county. There are several factors to consider among them being reduced cost of operation, accuracy and efficiency and reduced transactional time. The findings shows that to a good extent is accuracy and efficiency and reduced transactional cost has affected financial performance of SMEs represented by a mean score of 4.20 and 3.71 respectively, in other hand reduced transactional time has affected the financial performance to a moderate extent as showed by a mean of 3.06. These discoveries agree with Chyau, (2005) who expresses that potential advantages of ICT to SMEs incorporate upgrading productivity, diminishing expenses and expanding the market both locally and all inclusive, engaging SMEs to partake in the information economy by encouraging availability; making and convey items and administrations on a worldwide scale and giving access to new markets.

5.3.3 Effects of IT adoption patterns on financial performance of SMEs

The study analyzed the effects of IT adoption patterns on financial performance of SMEs in West Pokot. As part of the analysis, the study came up with three factors to consider that is service delivery, customer interactions and high technology. These factors are combined to get the patterns of adoption that affects financial performance of SMEs. the combination brings out patterns like high technology Customer interaction – based, service delivery-based high-technology and lastly integrated service delivery and customer interaction. The findings show that
to a good extent high technology has affected financial performance of the SMEs as shown by a mean score of 3.62. On the other hand, Customer interaction and service delivery has affected financial performance to a moderate extent indicated by a mean score of 3.46 and 3.18 respectively. These discoveries are in accordance with Hanna (2010) who contends that ICT additionally has the capacity to change worldwide and nearby markets to end up more proficient.

Electronically interceded advertises significantly effect on the cost, speed and straightforwardness of market-based exchanges.

5.4 Conclusion

Based on the above findings, the following conclusions were made for the effects of information technology on the financial performance of the SMEs in Kenya. The study found that, the use of ICT services which the SMEs have adopted to a large extent has improved its performance. Some of the ways in which ICT has improved efficiency in the SMEs include; increased productivity and efficiency; faster processing of transactions hence greater customer satisfaction; immediate dissemination of information throughout the SMEs; quicker sharing of information between various offices; preparing of tremendous measures of information; simple openness of data whenever; speed and volume of work done; enhanced process administration; enhanced lead times in benefit conveyance; enhanced correspondence stream access to ongoing data; lessened correspondence costs; information exactness using industry standard correspondence stages and utilizing applications that approve against business rules; utilization of a site and related site innovations has helped with expanding deals, decreased extortion cases and paperless condition diminishes costs strong frameworks to help tasks. From the study findings, the study concludes that SMEs in West Pokot County have invested heavily on Telephone and mobile phones services as the IT tool for business. Most of the businesses had mobile phones dedicated to maintaining the
link with the clients through various services available through the phone. From the study findings, the study concludes that information technology which includes communication networks, Hardware, software, mobile phone technology and Internet applications affects financial performance of the SMEs in Kenya to a large extent.

5.5 Recommendations

Based on the findings and conclusions, the investigation prescribes that the administration of Kenya ought to consider activating assets equipped at making mindfulness on and encouraging use of available information technologies at the disposal of the business people to the maximum possible extent in order to enhance business performance. This can be actualized through the government departments of finance, youth affairs, gender, and industrialization and Vision2030. It should also provide incentives to encourage the upcoming of business support services in the country and also for the young business people to develop ICT based solutions for the SMEs. This will help improve the understanding of entrepreneurs on relevant ICT literacy required for supporting business performance. Business support services in the country should work closely with the SMEs to improve ICT resource utilization in their businesses. They should also consider the various recommendations put forth by the end users of the technologies to come up with more capable but neutral technologies that can be easily adapted to the SME environment. They should progressively expand the knowledge base of the SMEs owners and operators by organizing more workshops and open days. Small and Medium Enterprises (SME) administration ought to consider checking the environment to locate the most recent ICT hardware that could be helpful in advancing administration conveyance proficiency and/or appropriate item blend决策 that suits client needs. The administration ought to likewise consider embracing assortment of ICT gear in order to have the capacity to use accessible correspondence choices.
5.6 Suggestions for further Studies

For future investigations exceptional consideration ought to be given to getting a greater example ideally with an example size of more than 300 prospects. Research ought to likewise discover what sort of IT applications (fundamental or propelled) organizations utilize. Besides, future examinations ought to research level of selection, inspiring components and additionally challenges being confronted. This is claiming IT is simply taking its foundations in the mainland in this way additionally research would be of intrigue. Finally, continuation of the topic of this examination could be founded on contextual analysis keeping in mind the end goal to pick up a more extravagant and greater picture of IT appropriation and its belongings regarding execution.
References


Sabbagh, K., Friedrich, R., El-


APPENDIX

QUESTIONNAIRE

Instructions: You are not required to write your name on this questionnaire. In the following questions, put a tick in the box to indicate your answer.

Sec A: Background information

1. What type of business are you doing?

____________________________________________________________________________

2. How long have you been in business?

<table>
<thead>
<tr>
<th>0 – 5 years</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6 – 10 years</td>
<td></td>
</tr>
<tr>
<td>Over 10 years</td>
<td></td>
</tr>
</tbody>
</table>

3. How many Employees are employed in the business?

| 0 - 5 |   |
| 6-20 |   |
| 20 - 50 |   |
| Over 50 |   |

4. What Position do you hold in the business?
Sec B: Adoption of IT in business environment

1. Have you adopted IT in your business?

|YES|  |  |  |  |  |
|NO|  |  |  |  |  |

If Yes, Kindly tick the appropriate box the extent you have invested in the following forms of IT tools in your business; Where 5 = Great extent, 4 = Good Extent, 3 = Moderate extent, 2 = Little Extent and 1 = Not at all

<table>
<thead>
<tr>
<th>IT TOOLS</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Resource Planning software’s</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Copier, Printers and Scanners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone and mobile phones services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet and Web services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other IT tools</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Do you hire experts to operate?
Sec C: IT adoption and SME performance.

1. Has the adoption of IT improved business performance?

   YES __________________________

   NO __________________________

If yes to what percentage has it increased the performance?

   0 – 25% ________________________

   26 -50% ________________________

   51 -75% ________________________

   Over 75% ________________________

2. To what extent do you believe the following factors influences the SMEs to adopt ICT; Tick in the respective box where appropriate; Where 5 = Great extent, 4 = Good Extent, 3 = Moderate extent, 2 = Little Extent and 1 = Not at all

<table>
<thead>
<tr>
<th>Factor influencing ICT adoption</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume of Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. To what extent do you believe ICT infrastructure(Hardware, software and Networking)
affected the financial performance of your business? Kindly tick appropriate boxes on the extent of its influence; Where 5 = Great extent, 4 = Good Extent, 3 = Moderate extent, 2 = Little Extent and 1 = Not at all

<table>
<thead>
<tr>
<th>ICT Infrastructure</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume of transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connections to supplier and customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. To what extent do you believe financial performance of your SME has been affected by technical capacity (Training on usage, Human Resource capacity and sourcing of vendors)? Kindly tick appropriate boxes on the extent of its influence; Where 5 = Great extent, 4 = Good Extent, 3 = Moderate extent, 2 = Little Extent and 1 = Not at all

<table>
<thead>
<tr>
<th>Technical Capacity</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced operational cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accuracy and efficiency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduced transactional time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Do you believe that IT adoption patterns have affected the financial performance of your business? Yes [ ] No [ ]

If yes to what extent do you believe the adoption pattern (Technological characteristics, Individual characteristics and company context) has affected financial performance? Kindly tick appropriate boxes on the extent of its influence; Where 5 = Great extent, 4 = Good Extent, 3 = Moderate extent, 2 = Little Extent and 1 = Not at all
extent, 2 = Little Extent and 1 = Not at all

<table>
<thead>
<tr>
<th>Adoption Patterns</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational expansion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New product/ service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6. Kindly indicate on the table below the Financial records of your business for the period of five years.

<table>
<thead>
<tr>
<th>Financials</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets (in Ksh)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Net income (in Ksh)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. What is your average annual turnover in Kshs?

<table>
<thead>
<tr>
<th>Turnover Range</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 100,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101,000 – 250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>250,001 – 500,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>500,001 – 750,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>750,001 – 1,000,000</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 1,000,000</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
SECT F: THE OTHER BENEFITS OF ADOPTION OF IT.

1. What facilitated your choice to adopt IT in business?

Quality □  Competition □  Convenience □  All of the above □

2. Has the use of IT in business resulted in efficient management of employees in the enterprise?

Yes □
No □

3. Comment on the merits and demerits you have encountered in the use of the IT in your business.

........................................................................................................................................................................
........................................................................................................................................................................
........................................................................................................................................................................
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........................................................................................................................................................................
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****THE END: THANK YOU****